



## **The State of New Hampshire Insurance Department**

21 South Fruit Street, Suite 21  
Concord NH 03301  
(603) 271-2261 Fax (603)271-1406  
TDD Access: Relay NH 1-800-735-2964

### **Viatical Fraud**

**Viatical Settlements are agreements in which life insurance policies owned by terminally ill people are bought by viatical companies and re-sold to investors. Aside from the sellers, (also called viators), and the investors, there are generally two parties who deal in the settlements: 1) providers, who buy the policies and sell them to investors; and 2) brokers, who work with the viators and providers to work out the details of the agreement.**

**Viatical insurance fraud is perpetrated by a scheme known as 'clean sheeting'. This is accomplished when viators conspire amongst each other to defraud insurance companies. Generally used would be an applicant who is between the age of 15 and 50 having a 'clean sheet', meaning they answered "no" to all questions regarding health and no physical exam was given. The scheme occurs when an applicant lied about the existence of any life threatening disease such as cancer or aids.**

**The applicants are recruited by agents/brokers, viatical brokers and viatical settlement companies, through terminally ill resource centers, support and activist groups. After tapping these sources, the recruitment continues by word of mouth.**

**Applicants are then paid a fee to submit fraudulent life applications to companies. Such fees range from 1% to 2% of the face value of the policy.**

**The applicant may be promised they will receive a policy in addition to a fee, but in most cases these policies are retained by the viatical company.**

**Applicants are sometimes used as recruiters and will be paid a referral fee of 1% (of the face value of the policy), for submitting a lead to the broker or the company that results in a sale.**

**Once the policy is issued, ownership is transferred to a trust in the name of a policyholder. Generally at the time the trust is formed, the policyholder will resign as trustee and appoint a representative of the viatical brokerage or Settlement Company, as the trustee. Once a viatical settlement company obtains the policy, it is sold to an investor during the contestability period and generally within the first two months of issuance.**

**The settlement companies represent to the investor that premiums will be paid by the company during the contestability period. Investors are not part of the conspiracy and are unaware of the fact that the policies are fraudulent. The majority of these investors are drawn from the elderly population. Most receive a representation that in the event of cancellation of the policy, the company will replace it with another at no extra charge.**

**If there appears to be anything that would arouse your suspicion that such a scheme has been perpetrated, please let the New Hampshire Department of Insurance Fraud Division know so that appropriate steps can be taken to determine whether viatical fraud has indeed been committed. Our telephone number is 1-800-852-3416, option 4.**